

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 7985**

**BILL NUMBER:** HB 1499

**DATE PREPARED:** Apr 16, 2001

**BILL AMENDED:** Apr 9, 2001

**SUBJECT:** Property tax issues.

**FISCAL ANALYST:** Bob Sigalow

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**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *Land Valuation Commissions:* This bill establishes a county land valuation commission in each county for determination of land values for property tax purposes.

***Reassessment:*** The bill requires the State Board of Tax Commissioners (State Board) to ensure the inclusion of certain provisions in local reassessment contract. It provides that the next general reassessment of real property shall be completed on or before March 1, 2002, instead of March 1, 2001, and that general reassessments will occur every four years thereafter. This bill directs the State Board to contract for the reassessment of real property in Lake County for March 1, 2002. It also makes various amendments concerning the conduct of a general reassessment and the appeal process. This bill authorizes additional money for certain reassessment funds for the next general reassessment and designates the years in which property tax levies will be made for reassessment funds.

The bill also directs the State Board to adopt rules establishing a system for annually adjusting the assessed value of real property. In addition, it directs the Commission on State Tax and Financing Policy to study the issue of annual adjustments of real property assessments.

***Sales Disclosure:*** The bill requires each county treasurer to establish a county Sales Disclosure Fund, and specifies permitted uses of the fund.

***Appeals Board:*** This bill amends the restrictions on qualification for membership on the county property tax assessment board of appeals.

***State Board:*** The bill establishes the Division of Data Analysis of the State Board and lists the duties of the division. It requires the State Board to perform certain data analysis functions, and makes conforming amendments. The bill requires each county and township to transfer certain data to the Legislative Services Agency and the State Board of Tax Commissioners. It requires the State Board to conduct annual personal

property assessment audits. The bill also creates a new state agency, the Indiana Board of Tax Review (Indiana Board), to hear appeals from determinations of county property tax assessment boards of appeal and the State Board. This bill provides that determinations of the Indiana Board are appealable to the Indiana Tax Court.

***Assessor Training and Certification:*** The bill amends assessor training and certification requirements. It authorizes per diem compensation for an assessor for service on a county land valuation commission and it establishes the Assessment Training Fund. The bill also makes various amendments concerning assessor training and certification.

***Assessed Value:*** The bill divides the state forestry state property tax rate by 3 to conform with the switch to 100% true tax value. It also requires the use of the posted price of oil on the assessment date in the assessment of certain oil interests. (Current law uses a multiplier of 1/3 of the posted price.)

***Personal Property Returns:*** This bill extends the deadline for filing a personal property tax return by 15 days if the taxpayer gives notice of the extension to the township assessor.

***Tax Exempt Property:*** The bill provides that exemption applications must be filed with the county assessor. It requires a nonprofit organization applying for a property tax exemption to attest that the property is not being used for an unrelated business and it requires an exempt organization to notify the county assessor if the use of the property has changed and the property is taxable. This bill requires the county property tax assessment board of appeals to review each exemption two years after it is granted to determine whether the property still qualifies for the exemption. The bill also requires the approval of a property tax exemption under certain circumstances in a qualifying city.

This bill raises from 50 to 150 the acreage of certain organizations eligible for exemption from property taxes. It also provides that tangible property owned by an Indiana nonprofit corporation and used by that corporation in the operation of a hospital is exempt from property taxation.

***Refunds:*** The bill changes the interest rate applicable to property tax refunds.

***Personal Property Tax Credit:*** This bill makes certain items ineligible for the Personal Property Tax Reduction Credit, and specifies eligibility for the credit in each county.

The bill also repeals certain provisions concerning tax abatement, setting of land values, State Board employees, and the State Board's Division of Tax Review.

**Effective Date:** (Amended) January 1, 1999 (retroactive); January 1, 2000 (retroactive); July 1, 2000 (retroactive); January 1, 2001 (retroactive); March 1, 2001 (retroactive); Upon passage; July 1, 2001; January 1, 2002.

**Explanation of State Expenditures:** (Revised) ***Reassessment:*** The bill specifies that the State Tax Board would be a party to appraisal contracts. The State Tax Board would have the responsibility to ensure that the contract form adheres to the contract standard set by the Board and that the contract adequately provides for the transmission of assessment data to the State Tax Board and the Legislative Services Agency.

This bill would require the State Tax Board to contract with a CPA firm with real property appraisal expertise to reassess property in Lake County for the general reassessment that will be effective for the 2002

Pay 2003 tax year. The CPA firm would prepare a detailed report including (1) Reassessment Fund expenditures made after July 1, 1999, and (2) the fund balance. The report would be filed with the Lake County Council, the Lake County Prosecutor, the State Board of Tax Commissioners, and the Indiana Attorney General.

The cost of the contract would be paid by Lake County. The State Tax Board would be responsible for mailing assessment notices to the taxpayers and the county assessor. There are approximately 245,000 parcels of land in Lake County. The State Tax Board would incur the cost of mailing a notice to the owners of each of the 245,000 parcels. As an example, if each notice cost \$0.50 to prepare and mail, the Tax Board could have an increased expense of \$122,500.

According to the bill, a taxpayer may appeal the assessed value determined by the appraisal company. This appeal would be made directly to the State Tax Board. The number of appeals that the State Tax Board receives would increase under this bill, as would the expense to dispose of those appeals.

**State Board:** The State Tax Board currently consists of five divisions including the Appeals, Assessment, Budget, Operations, and Tax Review Divisions. The State Tax Board has 99 approved positions and their FY 2001 budget is set at \$6.2 M. This bill would redefine the duties of the State Tax Board and would also create the Indiana Board of Tax Review. Many of the current duties of the State Tax Board would simply be shifted to the new Indiana Board of Tax Review without any change to those duties. Both the State Tax Board and the Indiana Board of Tax Review would have some new or enhanced requirements. This analysis focuses on those changes.

**State Tax Board:** The State Tax Board would be required to establish a Personal Property Audit Division. This division would be required to conduct audits on a sample of the returns filed throughout the state. The bill also stipulates that Audit Division employees may only perform duties related to the audit function. Although the State Tax Board performed personal property audits in the past, the former auditors have been assigned to other duties within the Assessment and Appeals Divisions. The State Tax Board would have to hire a new staff of auditors (or reassign former auditors and fill their current positions) to perform the required audits. The former audit staff consisted of 26 auditors, three supervisors, and an audit coordinator. The number of auditors needed for the new division depends on the size of the audit sample deemed necessary. The former auditors' positions ranged from PAT IV to PAT I. The starting annual salary for these positions currently ranges from \$23,000 to \$33,000. An additional 20 employees with an average annual pay of \$25,000 would provide an estimate of approximately \$750,000 per year including fringe benefits and indirect costs.

The State Tax Board's Budget Division would be required to provide training in budget matters to employees of political subdivisions. The bill also stipulates that Budget Division employees may only perform duties related to the budget review and certification. The Budget Division might need to hire one or two new employees to perform the local training requirements of this bill.

The State Tax Board's Assessment Division would be required to provide training in assessment matters to assessing officials. The bill also stipulates that Assessment Division employees may only perform duties related to the assessments.

This bill would create the Division of Data Analysis within the State Tax Board. The division would compile a database including information from the Local Government Database, sales disclosure forms, personal property returns, real property assessment records, and exemption, deduction, and credit data. Much of this

data is already available in machine readable form. The division would have to electronically compile data from the sales disclosure forms and information on exemptions, deductions, and credits.

The Tax Board would have to make available to counties and townships software that will enable a secure data transfer via the Internet.

The division would be required to conduct continuing studies of deductions, abatements, and exemptions. The division would report on the studies to the State Budget Committee and submit the report to the General Assembly every two years.

The division would also:

- Conduct continuing studies related to State Tax Board areas;
- Make periodic field surveys and audits of various documents useful in checking valuations and returns;
- Make test checks of valuations to serve as the basis for special reassessments;
- Conduct a coefficient of dispersion study for each township and county every two years;
- Conduct a sales assessment ratio study for each township and county every four years;
- Compute school assessment ratios; and
- Report the data obtained or determined to the Legislative Services Agency in a form prescribed by the Legislative Services Agency for use by the executive director and the General Assembly.

The Data Analysis Division would require large initial expenditures for computer equipment, software, and possibly contractor services to create the database. The division would also need to hire a division director, systems analyst, programmer, and several employees to review and analyze the data. The actual fiscal impact would depend on the final design of the database and the number of employees hired. The funds and resources required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions. This division's initial cost could be approximately \$1 M and the ongoing annual cost could be as much as \$500,000.

The State Board would also be permitted to initiate a review to determine whether to order a special reassessment in any township or county. The review must include the determination of the variance between the total assessed valuation and the valuation that would result under a proper reassessment of the township or county. The State Board would determine whether to order a reassessment based on the variance. If the variance exceeds 20% and the Tax Board, after hearings, determines that a special reassessment should be conducted then the Tax Board would contract for the special reassessment. If the variance is less than 20% the State Board would be able to conduct the special reassessment or order local officials to complete the special reassessment.

*Indiana Board of Tax Review:* The bill creates the Indiana Board of Tax Review, composed of four lay members. Each member of the Board and each employee of the Board would receive a salary and travel allowances.

The Board of Tax Review would be quite similar to the current Appeals Division under the State Tax Board. This Board of Tax Review would hear the same appeals as the Appeals Division currently does except for

a potentially small number of appeals from certain State Tax Board final determinations. The Board of Tax Review could operate with its current employees. However, there is currently a backlog of 1,500 to 2,000 appeals. If the Board of Tax Review finds that additional employees are necessary to administer this function, there would be an increase in personnel expenditures.

**Assessor Training:** Under this provision, the State Board of Tax Commissioners would be required to hold at least four training sessions for new assessing officials, assessors, and members of county property tax assessment boards of appeals. At least one session would be held in each quadrant of the state. Current law does not specify the number of sessions and requires only that the sessions "must be held at sufficient convenient locations throughout Indiana."

The Tax Board currently holds a two-day training session in each of seven locations around the state after an election in which assessing officials are on the ballot. The sessions are currently held in Huntington, Valparaiso, Lafayette, Greenfield, Greencastle, Scottsburg, and Vincennes. In non-election years, the Tax Board holds sessions for new officials only in Indianapolis.

The State Board of Tax Commissioners would also be required to hold at least four continuing education sessions for all assessing officials, assessors, and members of, and hearing officers for, the county property tax assessment boards of appeals each year. At least one session would be held in each quadrant of the state. Current law does not specify the number of sessions and requires only that the sessions "must be held at sufficient convenient locations throughout Indiana." In addition, the bill requires that each continuing education session must be a two-day conference.

Prior to 1999, the Tax Board held three one-half-day continuing education sessions each year at each of the seven locations listed above. In 1999 and 2000, the Tax Board held the same number of continuing education sessions at the same locations but increased them from one-half day to two-day sessions. This amounted to 21 two-day continuing education sessions each in 1999 and 2000.

According to the bill, the four training sessions for the new officials and the four continuing education sessions for all officials may not be held in Indianapolis. At the conclusion of each set of four sessions, the State Tax Board would be able to provide additional sessions at locations of the Board's choice, including Indianapolis.

The Tax Board appears to be currently holding sufficient training sessions, except for the number of training sessions offered to new officials in the non-election years, to satisfy the new requirements proposed in this bill. This bill would require the Tax Board to increase the number of training sessions offered to new officials in the non-election years. The State Tax Board would incur additional expenses for holding extra training sessions for new assessing officials in the non-election years. These expenses would include staff travel and rent for meeting space. These expenses could be offset if the Tax Board realigned some of the other training sessions now offered. The actual impact would depend on the number and locations of any additional meetings.

The State Tax Board would also be required to give level one and level two assessor-appraiser examinations at times that coordinate with the training sessions conducted for new assessing officials, county assessors, or members of county property tax assessment boards of appeals. The State Board would be required to annually hold these examinations in at least four locations in addition to Indianapolis. Additionally, the Tax Board would be required to accommodate all individuals who wish to enroll at each examination session.

The State Tax Board could incur additional expenses for holding additional assessor-appraiser training sessions and certification examinations if necessary. These expenses would include staff travel and rent (if any) for meeting space. The actual impact would depend on the number and location of any additional meetings needed.

The bill requires the State Board to revoke the certification of any individual who commits fraud or misrepresentation with respect to the certification examination. The bill also requires the State Board to give notice to and hold a hearing to consider evidence before it may decide whether to revoke a certification.

**Appeals:** This bill contains several changes to the way in which the new Indiana Board of Tax Review (Indiana Board) is required to conduct assessment appeals hearings and to the way that cases are presented to and reviewed by the Tax Court.

A) Under this bill, the Indiana Board would not be required to actually assess property when the property's assessment is under appeal. The Indiana Board would be permitted to limit the scope of the appeal to issues raised in the appeal petition. Since the current State Tax Board rarely assesses property under appeal, this provision merely codifies current practice and would have no real fiscal impact.

This bill would also require the Indiana Board to give notice of a hearing on a petition for review to the taxpayer and appropriate local assessing officials at least 30 days before the hearing date, rather than the 10-day notice required under current law.

B) The bill requires the Indiana Board to include separately stated findings of fact for all aspects of a Indiana Board determination. This provision codifies current practice by the current State Tax Board in creating a record for Tax Court cases.

C) Under current law, the Secretary of the Indiana Board must transmit a certified transcript of the appeal proceedings to the court. This proposal would require the Secretary to submit a certified record of proceedings to the Tax Court when appeals are heard. The record must include copies of all notices, petitions, motions, pleadings, orders, briefs, requests, rulings, photos, and other written documents. The record must also include evidence received by or considered by the Indiana Board and information on a site inspection, if any. The current State Tax Board already includes this information in the transcript of proceedings prepared under current law.

E) The bill would require that judicial review must be confined to the record of proceeding before the Indiana Board in Tax Court cases involving appeals of determinations concerning property tax assessments, deductions, exemptions, and credits. The Court would be permitted to receive additional evidence only if it relates to the validity of the determination and is needed to decide disputed issues of (1) improper constitution as a decision making body, (2) unlawfulness of the procedure or decision making process, or (3) new issues raised by the Indiana Board in its final determination. Judicial review would also be confined to issues raised before the Indiana Board except in cases where (1) an issue concerns notification of commencement of a proceeding or (2) interests of justice would be served by judicial resolution arising from a change in law after Indiana Board action is taken. This provision would transform the Tax Court from a trial/appeals court into solely an appeals court when considering Indiana Board cases.

All of the above provisions, taken together, could have several effects including:

- 1) A possible reduction the number of future cases appealed to the Tax Court.
- 2) A possible reduction in Indiana Board and Tax Court resources devoted to cases at the Tax Court

level.

In addition, the bill provides that the failure of the Indiana Board to grant a rehearing within 15 days of receiving a rehearing petition regarding an Indiana Board final determination would be treated as a final determination approving the petition. Current law treats the Board's failure to grant a rehearing within 30 days as a final determination denying the petition. This provision would require the Indiana Board to grant all rehearing requests so that they are not automatically reversed. This provision could add additional costs for the Indiana Board to accommodate each rehearing.

*Legislative Services Agency:* The bill requires that property tax data be sent to Legislative Services Agency. Maintaining this data will require additional staff and computer expenses. One additional full-time analyst plus computer equipment could cost approximately \$100,000 per year.

***Personal Property:*** Under current law, the state pays a property tax credit equal to the net tax liability on the first \$12,500 of assessed value of a taxpayer's tangible personal property. This credit is commonly referred to as the Personal Property Tax Replacement Credit (PPTRC). Because of a change in the definition of assessed value that will take effect with the 2001 payable 2002 tax year, the current credit for \$12,500 AV will be based on \$37,500 AV instead. This scheduled change does not affect final tax bills or state costs in any way. For clarity, references to assessed valuation will be in 2000 terms.

The current credit is a property tax credit which reduces the net property tax payment of personal property tax payers. Each taxpayer is entitled to one credit for up to \$12,500 AV on *each* tax statement. A taxpayer receives one tax statement for each taxing district in which the taxpayer owns property and there are multiple taxing districts within each county. In CY 2000, the first year for which the credit was available, the state paid \$181.4 M in credits.

This bill would limit a taxpayer to *one credit* for up to \$12,500 AV *per county*. The taxpayer's assessed value within multiple districts in the county could be combined to reach the \$12,500 AV per county limit. Since this bill allows only one countywide credit per taxpayer, it would reduce the credit amount to which a taxpayer is entitled if the taxpayer is currently receiving PPTRC on a total of more than \$12,500 AV in multiple taxing districts within a county. The bill would also eliminate PPTRC payments based on the assessed value of mobile homes, mobile houses, airplanes, and boats and trailers that are not subject to the Excise Tax. Both PPTRC provisions would reduce the amount that the state pays for the credit. This applies to taxes paid after December 31, 2001.

This analysis assumes that the next reassessment of real property will be effective with property tax paid in CY 2003. The real property reassessment will affect property tax rates which are applied to both real and personal property values. The following table lists the estimated change in the state's cost for the credit.

Estimated Cost of Personal Property Tax Replacement Credit (In Millions)			
	Current Cost	Cost under Proposal	Expense Reduction
<b>FY 2002</b>	\$190.4	\$166.1	\$24.3
<b>FY 2003</b>	162.1	121.0	41.1
<b>FY 2004</b>	133.1	99.4	33.7
<b>FY 2005</b>	135.8	101.4	34.4

**Explanation of State Revenues:** ***Sales Disclosure:*** A sales disclosure form must be filed with the county auditor any time real property is sold or transferred for valuable consideration, except a transfer to charity. Filers pay a \$5 fee of which \$1 is deposited in the state General Fund. According to the bill, counties would retain the entire \$5 filing fee beginning in FY 2002. The state received \$205,000 from sales disclosure filings in FY 2000.

**Explanation of Local Expenditures:** (Revised) ***Land Valuation Commissions:*** Under this proposal, the county fiscal body would be permitted to grant a per diem to the county and township assessors for each day that the assessors are engaged in service to the county land valuation commission. The per diem rate for each county is set by the individual county. The fiscal impact of this provision depends on whether or not the county grants a per diem to the assessors, the amount of time that the assessors spend on commission work, and the per diem rate in the county.

***Assessor Certification:*** This bill requires that county assessors who achieve a level two assessor-appraiser certification are to be paid an additional \$1,000 per year. This provision would increase expenses for county assessor salaries by up to \$92,000 per year, statewide.

Deputy county and township assessors who achieve a level two assessor-appraiser certification are to be paid an additional \$500 per year. This provision would increase salary expenses for county and township deputy assessors. The total increase depends on the total number of deputy assessors who become certified.

These new compensation levels for county assessors and county and township deputy assessors could increase county General Fund expenditures. The above salary expenditure increases may come from an increased property tax levy or from money saved by reducing other expenditures. If the county already levies its maximum levy, then it could not increase taxes and instead would have to use current resources to fund the salary increases.

***Reassessment:*** Under current law, each county is required to maintain a Property Reassessment Fund. The county is required to establish a levy each year that would cover a portion of the cost of future general reassessments. This bill would allow the county to use money in the fund that is earmarked for the March 1, 2005, reassessment to pay obligations for the March 1, 2002, reassessment if the county council determines a need.

Since the Property Reassessment Fund is controlled by the county's maximum permissible levy, any possible future levy adjustments to pay for the March 1, 2005, reassessment would have to be made within the levy



constraints. If the county needs to raise a future Reassessment Fund levy, then it may have to do so by reducing another fund's levy. The county would not receive any additional levy authority under this provision.

The cost of the appraisal company contract to reassess property would be paid from the Lake County Property Reassessment Fund. The cost of reassessment, whether performed by local assessors or performed under local contracts would be paid from the fund under current law. There would be little change in the payments made from the fund.

The bill would require township assessors in Marion County and county assessors in all other counties to maintain an electronic data file of the parcel characteristics and parcel assessments in the form required by the State Board of Tax Commissioners and the Legislative Services Agency. If a county's database does not currently contain the required data or if the county cannot provide the data with its current software, the county may face additional expenses in order to adapt to the requirements.

**Appeals:** Under the proposal, the county auditor would no longer notify all affected taxing units when the appealed AV constitutes at least 1% of the unit's gross certified AV from the preceding year.

Under current law, the county property tax assessment board of appeals must hold a hearing within 90 days after a preliminary conference if there are still disputed issues. For appeals filed after December 31, 2000, the Lake and Marion County appeals boards would have 180 days in which to hold the hearing.

Under current law, the taxpayer may present reasons for disagreement with the assessment at the hearing. The township or county assessor is required to defend the assessment decision on the issues raised by the taxpayer. The appeals board is then required to prepare written findings and render a decision within 60 days of the hearing. Under the proposal the Lake and Marion County boards of appeals would be required to prepare the written findings and render the decision within 120 days of the hearing.

**Refunds:** Under current law, a taxpayer who prevails in a property tax appeal must file a refund claim with the county auditor. Interest at 6% per year is paid from the later of the date on which the payment was made or the date that it was due until the date of the refund. This bill would limit the interest if a taxpayer does not file the refund claim within 45 days of the date of the final determination entitling the taxpayer to a refund. The interest period would be cut off at the end of this 45-day period. The bill would also change the interest rate to 4% annually.

In general, property tax refunds reduce a future property tax distribution to the civil taxing units and schools to which the taxes were distributed. The reduction of interest due because of the lower interest rate would result in smaller income reductions for the taxing units involved.

**Explanation of Local Revenues:** (Revised) **Reassessment:** The state is under a current court mandate to complete the next reassessment so that it will be effective for taxes assessed in CY 2002 and paid in CY 2003. Current law specifies that the following reassessment would be effective three years later with future reassessments following on a four-year cycle. This bill puts the court-mandated date for the next reassessment into statute and effectively starts the four-year cycle immediately after.

Local units would receive the same amount of revenue regardless of the effective date of the general reassessment. It is the source of revenue that changes under reassessment. The only impact to local units would be to their bonding authority. Local civil units and school corporations are bound by a constitutional

debt limit equal to 2% of AV. Delaying the effective date of reassessment would mean that local units would not receive an increase in bonding authority for one additional year.

This bill requires each appraiser or appraisal firm to submit data including complete parcel characteristics and parcel assessment data to the State Board of Tax Commissioners and the Legislative Services Agency. The bill would also require the Department of State Revenue to withhold payments of Homestead Credit and property tax replacement credits (PTRC) attributable to the county Property Reassessment Fund from counties where the data is not timely submitted. PTRC payments on the county Property Reassessment Fund are equal to 20% of the gross property tax levy for the fund. In CY 2001, Homestead Credits are equal to 10% of homeowners' net tax liability for that fund. The Homestead Credit percentage changes to 4% in CY 2002 under current law.

Under current law, real property is reassessed every four years. Under the bill, real property assessed values would be adjusted in the interim non-reassessment years beginning with 2006. The adjustments would be based on a system defined by State Tax Board-imposed rules. The system of adjustments must promote uniformity, apply objectively verifiable factors, prescribe adjustment factors as necessary, and prescribe procedures, including software, for the application of the adjustments by assessing officials.

Currently, personal property (business tangible property, inventory and individual personal property) is reported each year on forms prescribed by the State Tax Board. These forms, in effect, reassess personal property each year. Since real property is not reassessed each year, and its value generally increases, there is a shift of the property tax burden each year from real estate taxpayers to personal property taxpayers until reassessment occurs. Beginning in 2006 pay 2007, this proposal would reduce or eliminate this shift by annually adjusting real property assessments. This provision would also reduce or eliminate the reassessment "shock" that many real property taxpayers currently experience after reassessment.

The annual real property adjustments would cause two additional things to happen under sections of current law not changed by this bill. First, maximum levy growth may be affected. Maximum levy limitations for local civil units are based on each taxing unit's three-year average assessed value growth, not including a year of reassessment. The growth rate is subject to a minimum of 5% and a maximum of 10%. Most taxing units receive the minimum 5% increase. If a unit's actual AV growth becomes greater than 5% by adding the adjusted real property AV to the tax base each year, this provision could cause that unit to receive maximum levy increases that are greater than 5%. Property tax levies could increase under this proposal if the affected units choose to take advantage of any additional levy authority that they might receive.

Second, debt limits would be affected. Local civil units and school corporations are bound by a constitutional debt limit equal to 2% of AV. The annual revaluation beginning in 2006 would increase bonding authority on an annual basis for these units rather than only providing real increases in years of reassessment.

***Land Valuation Commissions:*** County land valuation commissions were abolished by HEA 1783 (97) in favor of having township assessors determine land values by November 1 preceding the effective date of a general reassessment. Beginning July 1, 2001, this bill would reestablish the county land commissions in a similar form as they existed before 1997. Each commission would consist of nine members including the county assessor, who serves as chairman, two township assessors, one real estate broker or salesperson, four individuals representing the four classes of land, and one individual representing a financial institution. One of the township assessor seats would be filled with the assessor of the township currently under review.

Under this provision, the commissions would determine the value of all land in the counties using State Tax

Board guidelines. The county property tax assessment board of appeals would review the values and make any necessary modifications necessary to provide uniformity and equality. The State Tax Board could modify the value of the taxpayer's land or any other land in the county or adjacent county in order to provide uniformity and equality.

Since the county land valuation commissions would determine land values on a county-wide basis, it is assumed that there would be an initial high level of uniformity within the county. Under current law, if the township assessors determine land values, the values would probably be uniform within the township, but they may not be uniform county-wide. Better uniformity among property assessments would help distribute the property tax burden.

**Sales Disclosure:** The county currently deposits \$4 of each \$5 sales disclosure filing fee into the county General Fund. This bill holds that the county would keep all \$5 of the fee and it would create a Sales Disclosure Fund in each county to be used for administration of the form program, the training of assessing officials, and to purchase computer software or hardware for a property record system. Based on the amount of money forwarded as the state's share of the filing fees, it is estimated that counties received about \$820,000 from filers in FY 2000. Counties would also keep the current state share of the fee which amounted to about \$205,000 in FY 2000.

**Appeals:** Under current law, when a taxpayer appeals an assessment, the taxpayer must specify the *reasons why the petitioner believes* that the assessment is erroneous. This bill would instead require the taxpayer to list the *specific substantive grounds for the petitioner's belief* that the assessment is erroneous.

Under current law, the county assessor *may* request that the county executive appeal a State Tax Board final determination if the adjustment causes a refund of the lesser of \$800,000 or 10% of the total tax levies of all of the units in the county. Under this proposal, the request could be made regardless of the refund amount. In addition, if the county executive declines to appeal, the bill would allow the county or elected township assessor to initiate the appeal to the Tax Court using funds from the respective office's budget.

**Appeals Board :** This bill makes several changes to the composition of the property tax assessment board of appeals (appeals board). Currently, the county commissioners must appoint at least one certified level two assessor-appraiser to the appeals board. Under this proposal, the county commissioners' appointments would not have to be level two assessor-appraisers if the county assessor is a certified level two assessor-appraiser.

This proposal also allows an appointed member of the property tax assessment board of appeals to serve on the boards of more than one county. The bill prohibits an employee or officer of a county or township, except for the county assessor plus one additional member, from serving on the county property tax assessment board of appeals in the county in which they are an officer or employee.

This proposal also allows the county assessor, county fiscal body, and county commissioners to agree to waive the current requirement that not more than three of the five appeals board members may be of the same political party. The waiver would be possible if there aren't any certified level two assessor-appraisers (1) who are willing to serve on the appeals board and (2) who are members of the political party that would otherwise be represented by two members on the board.

Some smaller Indiana counties may currently be having difficulty in filling vacancies on the appeals board with qualified persons under current law. The above changes may allow these counties to make all of the necessary appointments to the appeals board.

***Personal Property Returns:*** Under current law, personal property tax returns must be filed by May 15 each year. Before May 15, a personal property taxpayer may submit a written request to the township assessor for a 30-day extension, making the extended due date June 14. The township assessor has sole discretion in determining whether or not to grant the extension. Under this proposal, a personal property taxpayer would receive an automatic 15-day filing extension if the taxpayer submits a written extension notice to the township assessor at least 10 days before the filing date.

Currently, taxpayers who fail to file their returns timely are subject to a penalty. If the return is filed late and without extension, but by June 14, the penalty is equal to \$25. Returns that are filed without extension after June 14 are subject to the \$25 penalty plus a penalty of 20% of the tax due. If a taxpayer gives notice of an automatic 15-day extension under this proposal, the penalty dates would be delayed by 15 days and any penalties that are imposed could be reduced. Penalties are distributed to local taxing units along with property taxes.

***Background Information:*** Township assessors must report of all of the personal property tax assessments in the township to the county assessor by June 1. The county assessor must report all of the property tax assessments in the county to the county auditor by July 1. The county auditor must then send a certified statement that includes information concerning assessed valuation to each taxing unit and the State Tax Board by August 1. This assessed valuation information is used in the preliminary budget work by each taxing unit.

***Amended Returns:*** Under current law, personal property taxpayers are able to file an amended return within six months of the original filing date or the extended filing date if the taxpayer was granted an extension. This bill would allow taxpayers to claim adjustments and exemptions on the amended return that would have been allowable on the original return. This provision could have the effect of reducing assessed valuations on some personal property.

Currently, the amended return can be filed by November 15, or by December 14 if the original return was filed with an extension. These dates are after the time when the assessed values are used in preliminary budget computations. The State Tax Board must finalize all budget orders by February 15.

The bill provides that taxpayer would make payments based on the new assessed valuation only if the amended return is filed by July 15. If the amended return is filed after July 15 then the taxpayer would pay taxes on the original valuation and then receive a credit for the difference. The credit may be used against the property tax liabilities for up to two succeeding years. If there is still an unused credit amount after two years, that amount would be refunded. This provision would allow the affected taxing units to adjust their tax rates in subsequent years to pay back the over-collection of taxes. This would keep the taxing units from experiencing a shortfall due to the amended return.

***Tax Exempt Property:*** This bill would require a person filing for an exemption to attest that a predominant part of the property is not being used for a business that is unrelated to the organization's exempt purpose. The bill also requires a not-for-profit corporation to notify the county assessor if the entity changes the use of exempt property and no longer qualifies for an exemption. Failure to make this notification before May 15 of the first ineligible year would result in a penalty of 10% of the tax due per year.

The bill would also require the county property tax assessment board of appeals to perform a review of all exemptions that are two years old to determine if the property is still eligible for the exemption. If the board of appeals determines that the property no longer qualifies for the exemption, the board would revoke the

exemption and inform the county auditor. This provision could reduce the number and value of property tax exemptions. A drop in exemptions would increase the assessed value tax base and serve to reduce property tax rates.

The bill would also exempt tangible property owned by an Indiana nonprofit corporation that is used in the operation of a hospital. Additional exemptions reduce the assessed value tax base. This causes a shift of the property tax burden from the taxpayers receiving the exemptions to all taxpayers in the form of an increased tax rate. The actual fiscal impact depends on the amount of additional property that would qualify for an exemption under this proposal.

Additionally, this bill would retroactively approve a property tax exemption for a non-profit health care provider in South Bend for the 1999 assessment date. In this situation, the taxpayer's ownership changed and the new owners failed to timely file an exemption application for the 1999 assessment date. The county auditor did not use this taxpayer's assessed value in calculating tax rates and the taxpayer has withheld payment of the tax due of approximately \$1.3 M. Since the taxpayer's valuation was not used to calculate tax rates, the rates were high enough to generate the required tax levy without this taxpayer's payment. If the taxpayer pays the tax under current law, the \$1.3 M would be distributed to the local taxing units that serve the taxpayer. Property taxes received, up to 102% of the unit's levy, may be spent in the current year. Any collections over 102% of the levy are used to reduce the following year's property tax levy. However, under the bill, the taxing units would not receive the payment.

***ERA Waiver:*** Currently, the ERA designating body may waive the filing of the statement of benefits if the taxpayer has made at least a \$10 M investment during the previous three years. This bill repeals the ability of the designating body to grant this waiver.

**State Agencies Affected:** State Board of Tax Commissioners; Department of State Revenue; State Budget Committee; Legislative Services Agency; Commission on State Tax and Financing Policy.

**Local Agencies Affected:** County assessors; County auditors; County councils; Township assessors; All local officials having reassessment duties.

**Information Sources:** State Board of Tax Commissioners, Property Tax Analysis; Property tax return data; Local Government Database.